

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1043 – SB 1098

April 21, 2015

SUMMARY OF ORIGINAL BILL: Revises several provisions related to motor vehicle dismantlers and recyclers and scrap metal processors (DRP), including, but not limited to: requiring DRPs to submit to the National Motor Vehicle Title Information System (NMVTIS) all information required to be submitted pursuant to federal regulations within 24 hours of the close of business of the day a motor vehicle was received; establishing a minimum fine of \$1,000 for any violation of this section and specifying the allocation of such revenue; requiring DRPs to verify with the Department of Revenue's Vehicle Services Division (VSD) whether or not a motor vehicle has been reported stolen; requiring VSD to develop a process to allow a DRP to verify, at the time of the transaction, through the use of the Internet, and at no cost to the DRP, that the vehicle has not been reported stolen; and prohibiting the DRP from completing the transaction, if VSD confirms that the motor vehicle has been reported stolen.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENTS (004408, 006920): Amendment 004408 deletes all language of the original bill. Requires DRPs to submit the relevant information to the Department, rather than to NMVTIS, and requires the Department to submit such information to NMVTIS on behalf of DRPs. Requires DRPs to collect additional records when purchasing a vehicle for parts 12 years or older without seeing a title, including a written statement signed by the seller that the vehicle shall never be titled again and shall be dismantled or destroyed, and the seller's fingerprints. Authorizes, rather than requires the Department to develop a method to allow a person to verify at the time of the transaction, through the use of the Internet, at no cost, that the vehicle has not been reported stolen, and requires DRPs to use such system within 90 days of its development. Requires the Department to cancel the title of a vehicle purchased by a DRP.

Amendment 006920 establishes that one-half of the penalty collections under this bill will be deposited in the General Fund, rather than a special fund created for use by the Department of Revenue's VSD. Requires DRPs to obtain thumbprints, instead of fingerprints, from motor vehicle sellers. Imposes, beginning with FY15-16, an additional \$500 biennial fee on DRPs, payable to the Tennessee Motor Vehicle Commission (MVC) with each application for licensure or renewal of a license, and requires such fee collections to be deposited in the General Fund,

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after MVC has retained sufficient funds to offset any expenses associated with the collection and processing of such payments. Changes the effective date of the Act to July 1, 2016, except for the purposes of the annual fee imposition.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue – \$110,000/FY15-16 and Subsequent Years

Increase State Expenditures – Exceeds \$100,000/FY16-17

Assumptions for the bill as amended:

- Any increase in state or local revenue from collection of a fine for any violation of this section is estimated to be not significant.
- There will be a total of 220 entities in any given year subject to the biennial \$500 fee, for a recurring increase in state revenue of \$110,000 (220 x \$500), beginning in FY15-16.
- Any increase in expenditures to the MVC associated with the collection and processing of such payments is estimated to be not significant and can be accommodate within existing resources of the Commission and the Department of Commerce and Insurance, without an increased appropriation or reduced reversion.
- The Department reports that the implementation of a new system to allow DRPs to verify that a vehicle has not been reported stolen will require a total of 1,973 hours at a one-time cost of approximately \$99,771. The degree to which any such development and testing requirements can be performed by the Department using existing resources (without an increased appropriation or reduced reversion) is not certain. The Department did not explicitly indicate that additional appropriations would be required.
- The cost estimate represents a time-allocation of existing staff. In FY13-14, the Department's Information Technology Resources Division had a total of 92 positions, of which 12 are in Title and Registration.
- The Department further reports that, if batch processing for reporting of motor vehicle information to NMVTIS is not currently allowed for Tennessee, since the state is currently working on NMVTIS certification, then an Internet interface with a NMVTIS certified data consolidator may need to be implemented for at least a certain period of time. The resulting increase in state expenditures for the Department is unknown but is reasonably estimated to be between \$100,000 and \$160,000 per year.
- Based on all information provided by the department, it is reasonable to presume a third party vendor would be required to perform some portion of the system changes that would be required as a result of the amended bill. Therefore, the fiscal impact is estimated to be a one-time increase in state expenditures in FY16-17 exceeding \$100,000.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue – Exceeds \$100,000/FY16-17

Increase Business Expenditures – \$110,000/FY15-16 and Subsequent Years

Assumptions for the bill as amended:

- The Department of Revenue's VSD will develop a process to allow DRPs, at no additional cost, to verify that a vehicle has not been reported stolen.
- Any increase in expenditures for DRPs to submit the required information to the Department within 24 hours of the close of business of the day a motor vehicle was received, and any increase in expenditures for sellers or DRPs for paying the newly established fine for violating this section is estimated to be not significant.
- Motor vehicle sellers will be responsible for covering the cost of fingerprints that the DRPs are required to collect as a result of the proposed legislation as amended.
- The recurring increase in business expenditures for the \$500 biennial fee is estimated to be \$110,000, beginning in FY15-16.
- In FY16-17, there will be a one-time increase in business revenue exceeding \$100,000 to the third party necessary to effectuate the provisions of the amended bill.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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